

<b>TO:</b> <b>Mail Stop 8</b> <b>Director of the U.S. Patent and Trademark Office</b> <b>P.O. Box 1450</b> <b>Alexandria, VA 22313-1450</b>	<b>REPORT ON THE</b> <b>FILING OR DETERMINATION OF AN</b> <b>ACTION REGARDING A PATENT OR</b> <b>TRADEMARK</b>
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In Compliance with 35 U.S.C. § 290 and/or 15 U.S.C. § 1116 you are hereby advised that a court action has been filed in the U.S. District Court EDVA, Richmond Division on the following ☒ Patents or ☐ Trademarks:

DOCKET NO. 3:06CV485	DATE FILED 7/12/2006	U.S. DISTRICT COURT Eastern District of Virginia, Richmond Division
PLAINTIFF TELECOMMUNICATION SYSTEMS, INC.		DEFENDANT MOBILE 365, INC.
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK
1 6,983,748 B2		See attached Complaint
2		
3		
4		
5		

In the above—entitled case, the following patent(s)/ trademark(s) have been included:

DATE INCLUDED	INCLUDED BY <input type="checkbox"/> Amendment <input type="checkbox"/> Answer <input type="checkbox"/> Cross Bill <input type="checkbox"/> Other Pleading		
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK	
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In the above—entitled case, the following decision has been rendered or judgement issued:

DECISION/JUDGEMENT See attached Memorandum Opinion, Order, and Final Judgment Order entered 3/31/2009.
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CLERK FERNANDO GALINDO, CLERK	(BY) DEPUTY CLERK <i>Carolyn McCracken</i>	DATE 3/31/2009
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Copy 1—Upon initiation of action, mail this copy to Director    Copy 3—Upon termination of action, mail this copy to Director  
 Copy 2—Upon filing document adding patent(s), mail this copy to Director    Copy 4—Case file copy

PTO: (1) U.S. Application Serial No. 11/174,419 ("the '419 application") (reissue application involving Chris Knott's Patent No. 6,658,260); (2) U.S. Application Serial No. 12/073,262 ("the '262 application") (continuation of original provisional application that led to Mr. Knott's '748 and '260 Patents); and (3) U.S. Application Serial No. 11/516,593 ("the '593 application") (continuation of application that led to the '748 and '260 Patents, allowed on June 30, 2008 and expected to be issued "shortly"). In all four applications, TCS filed an Information Disclosure Statement (IDS) that included fifty-six (56) Mobile 365 documents labeled "CONFIDENTIAL–NON-PROSECUTING ATTORNEYS EYES ONLY." These documents were filed with the PTO by Mr. William Bollman, TCS's prosecuting attorney. As a result, the documents were available to be viewed and copied by any member of the public. Though the IDS was filed in all pending applications, the crux of the parties's contentions surround the '353 proceeding and the '593 application.

Upon learning that documents marked confidential were made public, Mobile 365 filed a petition with the PTO in the '353 proceeding "requesting that [TCS's IDS] submission be sealed, as it is subject to a protective order." (Decision to Dismiss. Pet. to Protect Confid. Docs., No. 95/000,353 at 2 (PTO Aug. 18, 2008).) The following day, on June 13, 2008, the PTO granted Mobile 365's request and temporarily sealed the IDS. The PTO further required Mobile 365 to "respond with a petition identifying the materials subject to the protective order and to provide detailed evidence that disclosure of the materials would violate the court's order." (*Id.*)

Mobile 365 responded to the PTO's Order on June 30, 2008, but did not provide the detailed information requested. Instead, the company generally stated the

applicability of the Protective Order, and provided the PTO with redacted copies of the IDS, allegedly only blocking confidential information. TCS also responded stating none of the documents complained of are confidential, and requested an order stating that the documents do not qualify as prior art. The PTO declined to issue such order; rather, the PTO stated that the challenged documents would remain provisionally sealed until the conclusion of the proceedings, and again allowed Mobile 365 an opportunity to provide the requested information. Further, the PTO noted that the patent owner, TCS in this case, could petition to have confidential documents expunged.

On July 2–3, 2008, TCS petitioned to temporarily seal the IDS in the pending ‘419, ‘593, and ‘262 applications, until their status could be determined. Only after TCS filed the July petitions did the parties discuss their ongoing disagreement. No satisfactory resolution was made, and on July 21, 2008, the PTO responded and provisionally sealed the IDS in *only* the ‘593 application. The PTO further invited all interested parties to inform the PTO, within 30-days, of whether this Court’s December 6, 2006 Protective Order remained applicable and, if so, to identify the documents subject to potential expungement. TCS responded on July 28, 2008 and stated that “the December 6, 2006 Protective Order continues to be in full force and effect” and further waived the PTO’s 30-day time period “to request expungement as the Applicant [TCS] will NOT be filing any petition to expunge.” (Pl.’s Resp. to the PTO’s July 21, 2008 Order 1 (emphasis in original).) In response, Mobile 365 petitioned this Court to determine the applicability of the Protective Order, and further moved that TCS be held in contempt for violating the Court’s Order.

Additionally, on August 5th and 18th 2008, Mobile 365 responded to the PTO by recounting their understanding of this Court's Protective Order, and identifying the documents they believed were submitted in violation of the Order. Defendant asserts these filings were invited by the PTO's July 21, 2008 Order. The cover letter of the Responses incorrectly identified Mr. Robert Sterne, Mobile 365's attorney, as "Attorney for Applicant." All other references to Mr. Sterne in the body and signature pages correctly referenced Mr. Sterne as "Attorney for Sybase, Inc. [Mobile 365]." On the basis of these two Responses and alleged misrepresentations, Plaintiff now petitions this Court to reopen discovery and require the Defendant to respond to inquiry "into Mr. Sterne's misrepresentations and his (and any other attorneys' or agents') past *ex parte* communications with any PTO officials concerning those applications." (Pl.'s Mot. for Prelim. Inj and Disc. 17.) Further, TCS requests this Court enjoin the Defendant and its assigns from any further communications with the PTO in any of TCS's pending '593, '262, and '419 applications.

## II. Civil Contempt

Civil contempt is a sanction to enforce compliance with an order of the court or to compensate for damages sustained by reason of noncompliance. McComb v. Jacksonville Paper Co., 336 U.S. 187, 191 (1949). In order to hold a person in contempt, the Court must find that: (1) the person had actual or constructive knowledge of a valid order; (2) the order was in the Movant's favor; (3) the person's conduct violated the terms of the order and they had at least constructive knowledge of such violation; and (4) harm resulted. Ashcraft v. Conoco, Inc., 218 F.3d 288, 391 (4th Cir. 2000). The Movant bears the burden to prove these elements by clear and convincing evidence.

In re General Motors Corp., 61 F.3d 256, 258 (4th Cir. 1995). The party's intent is not material; as such, good faith is not a defense to civil contempt. See McComb v. Jacksonville Paper Co., 336 U.S. 187, 191 (1949) (noting that civil contempt "is remedial, it does not matter with what intent the defendant did the prohibited act"), In re General Motors Corp., 61 F.3d at 258 (noting that willfulness is not an element of civil contempt).

In the present matter, the central issue before the Court, and indeed in all civil contempt claims, is whether the opposing party violated a specific order of the Court. TCS and Mobile 365 take drastically different approaches to arguing their positions. TCS's primary argument is that the Protective Order is valid, but does not apply in this situation and therefore there can be no violation. In support thereof, TCS asserts the reasonableness of their belief that the Protective Order did not apply, while acknowledging that if in fact the Court finds that a violation has occurred, it should be considered an "inadvertent technical violation," as opposed to civil contempt. In contrast, Mobile 365 takes a plain-language approach and directly compares TCS's actions to the terms of the Protective Order. In its analysis, Mobile 365 argues that TCS has violated numerous provisions of the Protective Order and therefore should be held in contempt. As a preliminary matter, this Court will determine the applicability of the Court's Protective Order, and then whether TCS's conduct violated this mandate.

#### **A. Applicability of the Protective Order**

TCS's primary argument in opposition to Mobile 365's Contempt Motion is that the Protective Order does not apply in this situation. Specifically, TCS contends that: (a) the Protective Order, by its terms, is not applicable if its adherence would require

TCS to violate a competing legal duty, here, the duty to disclose all “information material to patentability” to the PTO; and (b) TCS’s submission of “material” documents did not violate the Protective Order in that the Protective Order only governs confidential materials and Mobile 365 waived the documents’s confidentiality by making them available for public disclosure at trial and/or erroneously labeling them “confidential.” This Court finds TCS’s arguments unpersuasive.

1. TCS’s Duty to Disclose Material Information Does Not Override the Court’s Protective Order

TCS goes to great lengths—ten pages to be exact—to detail their belief that the company was legally required to provide *all* of the documents they submitted to the PTO, and this legal obligation excused them from following the other dictations of the Court’s Protective Order. TCS’s theory suggests that because TCS’s litigation counsel was aware of confidential documents that were allegedly material to patentability, TCS had an overriding duty to disclose these documents to the PTO.<sup>3</sup> (Pl.’s Resp. to Def.’s Mot. for Contempt 3; see also 37 C.F.R. § 1.933 (imposing a “duty of candor and good faith in dealing with the [Patent and Trademark] Office, which includes a duty to disclose . . . all information known to that individual to be material to patentability in a

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<sup>3</sup> TCS further contends that Mobile 365’s charges of inequitable conduct and arguments concerning validity required TCS to take the broadest possible view of materiality, and disclose all fifty-six (56) confidential documents. (Pl.’s Resp. to Def.’s Mot. for Contempt 5.) This Court need not rule on whether the documents are material to the patent prosecution to resolve the Motions before the Court. Therefore, the Court declines to rule on the issue of materiality and defers that responsibility to the PTO which has said it best, “that while a patent owner has a duty to disclose information that it deems material to patentability . . . the [patent] examiner is called upon to be the arbiter of whether particular information is material.” (Decision to Dismiss. Pet. to Protect Confid. Docs., No. 95/000,353 at 2 (PTO Aug. 18, 2008).)

reexamination proceeding”).) According to TCS, this duty of candor and disclosure would override any protective order of a Court, but in this case, the Protective Order also permitted the company to disclose confidential information. (Pl.’s Resp. to Def.’s Mot. for Contempt 3 (citing Paragraph 18 of the Court’s Protective Order, which states “[n]othing herein shall be construed as requiring the party or anyone else covered by this Protective Order to challenge or appeal any order requiring production of information subject to this Protective Order, or subject itself to any penalties for noncompliance with any legal process or order, or to seek any relief from this Court”).) Moreover, TCS surmises its belief that the Protective Order did not apply was reasonable, in fact, TCS argues that “the PTO agreed with TCS that the Protective Order may not apply to prevent disclosure” of information material to patentability. (Id. at 19.) These contentions are a misapplication of the law and a misreading of the Protective Order.

A party is only bound by the duty of candor, and therefore can only be penalized for failure to disclose material information, if they are substantively involved in the patent application. 37 C.F.R. § 1.56(c)–(e) (subscribing a duty of candor on each named inventor, prosecuting attorney, or other individual who is substantively involved in the preparation or prosecution of the patent application); see, e.g. Intelli-Check, Inc. v. Tricom Card Techs., Inc., No. 04-5108 (HAA), 2005 U.S. Dist. LEXIS 38794 at \*14 (D. N.J. Nov. 10, 2005) (holding that the Defendant could not demonstrate that the patent owner’s trial counsel was bound by a duty of candor to the PTO because the Defendant failed to show that the trial counsel was “substantively involved” in the patent application.) Here, TCS’s litigation counsel should not have been substantively involved

in the patent application and, if they were, that in itself is a violation of the Court's Protective Order. (See Ct's Protective Order ¶ 2c (prohibiting attorneys who are allowed access to confidential documents from substantive involvement in preparation or prosecution of patent applications for twelve (12) months after the case's determination).) Therefore, a conflicting duty would arise only if TCS's litigation counsel first violated the Protective Order by becoming substantively involved in the patent prosecution—an idea that TCS both denies and later admits. (Cf. Bollman Decl. ¶ 2 (denying that litigation counsel has been substantively involved in the '353 proceeding), with Pl.'s Resp. to Def.'s Mot. for Contempt 28 (stating that the litigation counsel selected the documents to submit to the PTO, and Mr. Bollman, the prosecuting attorney "acted only as a courier at the direction of TCS's litigation counsel").)

However, despite TCS's framing of the issue as if they had to balance conflicting duties and were forced to conclude that the duty of candor trumped the Court's Protective Order, no conflict actually existed and TCS's duties under the Protective Order could have been met even if they had to disclose "material information." TCS could have petitioned the Court and obtained a determination on the applicability of the Court's Protective Order. TCS's failure to do so is a clear disregard of the Court's mandate, and itself a violation of the Protective Order. (See Ct.'s Protective Order ¶ 11 (noting that when parties are unable to resolve an issue related to a potential violation of the Protective Order they *shall* move the Court for relief).)

Additionally, TCS asserts, without legal support, that the PTO's duty of disclosure "**over-rides** any protective order of a court." (Pl.'s Resp. to Def.'s Mot. for Contempt 3 (emphasis in original).) TCS may be extrapolating this idea from a portion



of the Manual of Patent Examining Procedure (“MPEP”), which states “[i]t matters not whether the ‘material’ information can be classified as a trade secret, or as proprietary material, or whether it is subject to a protective order . . . it must be disclosed if ‘material to patentability.’” MPEP § 724. While this passage asserts that documents covered by a protective order may need to be disclosed, it does not state, as TCS contends, that a protective order is inapplicable and can be ignored in its entirety. Rather, the PTO specifically addresses confidential documents that are subject to a protective order and notes that the expungement process is designed to protect these documents, while at the same time allowing an applicant to file material information. See MPEP § 724 (setting forth the manner in which material subject to a protective order must be presented to the PTO and outlining the requirements and process of expungement). This expungement process would be unnecessary if, as TCS contends, the PTO’s duty of disclosure completely “**over-rides** any protective order of a court.” (Pl.’s Resp. to Def.’s Mot. for Contempt 3 (emphasis in original).)

In fact, out of respect for the Protective Order, the PTO has persisted in requesting detailed information from the parties regarding the applicability of the Protective Order, so that documents subject to the Court’s Order are not publicly disclosed. (See Decision Granting Petition, No. 95/000,353 (PTO June 13, 2008) (requesting Mobile 365 identify the materials subject to the Protective Order and provide detailed evidence that disclosure of the materials would violate the Protective Order), Order Provisionally Sealing Papers, No. 11/516,593 at 2 (PTO July 21, 2008) (providing the parties 30-days to clarify the applicability and validity of the Court’s Protective Order and informing TCS that it may file a petition for expungement of

confidential documents), Decision to Dismiss. Pet. to Protect Confid. Docs., No. 95/000,353 at 2 (PTO Aug. 18, 2008) (again providing Mobile 365 time to petition the Court and provide the requested material regarding the validity and applicability of the Court's Protective Order while informing TCS that the expungement process can protect confidential documents).) The PTO's efforts to clarify the parties's inconsistent explanation of the documents the Protective Order covers in no way supports TCS's contentions that the duty of disclosure overrides the Court's Order or that the PTO is in agreement "that the Protective Order may not apply to prevent disclosure in the reexamination." (Pl.'s Resp. to Def.'s Mot. for Contempt 19.)

Further, TCS misreads paragraph 18 of the Protective Order, which TCS also cites as support for its belief that the PTO's duty of candor lawfully overrides the Court's Protective Order. Paragraph 18 clearly applies only to requests for disclosure of information that come by subpoenas, demand in another action, or by service of legal process, not merely by direction of a procedural rule in an administrative agency. (Ct's Protective Order ¶ 18.) But, if this paragraph were applicable, TCS would still have violated the Protective Order because this paragraph further states:

The party shall give written notice by hand or facsimile within five (5) business days of receipt of such subpoena, demand, or legal process, or before time specified for compliance . . . to the party who designated the information, and shall object to its production to the extent permitted by law, setting forth the existence and terms of the Protective Order. (*Id.*)

TCS never informed Mobile 365 prior to their submission of the IDS to the PTO of their "overriding duty" to disclose confidential documents, did not make efforts to limit the amount of confidential documents they disclosed, and only confirmed the existence of a Protective Order covering the documents *after* Mobile 365 realized the documents were

made public and objected to them on grounds that they violated the Protective Order. Even then, TCS waived a 30-day grace period and informed the PTO that it would not seek to expunge documents Mobile 365 repeatedly claimed are protected under this Court's Protective Order. Therefore, TCS's argument is without merit, as there is no evidence—legal or logical—to support TCS's contention that the Protective Order is overridden in its entirety by the PTO's disclosure requirements, or that TCS's belief, as such, was reasonable.

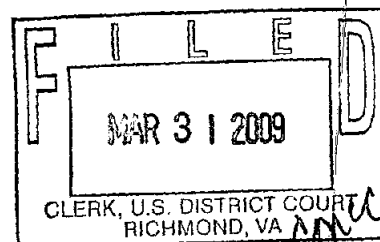
2. Mobile 365 Did Not Waive the Challenged Documents's Confidentiality

TCS cites numerous reasons why they “reasonably concluded” that Mobile 365 waived confidentiality on the challenged documents. However, TCS's arguments are not persuasive, and are only briefly addressed herein.

TCS first argues that Mobile 365's expert witness, Randall Snyder, admitted at trial “that the documents and information to which Mobile 365 attached the designation ‘CONFIDENTIAL–NON-PROSECUTING ATTORNEYS EYES ONLY’ were not actually confidential and should never have been so designated in the first instance.” (Pl.'s Mot. for Prelim. Inj and Disc. 12.) This claim is both inaccurate and overly broad. Mr. Snyder was Mobile 365's expert witness, not an employee of Mobile 365, and his views on some companies's utilization of their internal confidentiality designations was based solely on his personal experience. As such, this statement cannot be deemed an admission by Mobile 365 and somehow be extrapolated to read that the Protective Order designations made by trial counsel “should never have been so designated.”

TCS goes on to argue that because Mobile 365 removed confidentiality designations from some documents that it “was not unreasonable for TCS to conclude

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION



TELECOMMUNICATION SYSTEMS, INC.,

Plaintiff,

v.

Civil Action Number 3:06CV485

MOBILE 365, INC.,

Defendant.

**FINAL JUDGMENT**

THIS MATTER is before the Court on the parties's Joint Motion for Entry of Final Judgment (Doc. No.252). Upon due consideration and subject to the foregoing direction, the parties's Motion is GRANTED and the Court sets out the Final Judgment as follows:

1. Final Judgment on the verdict is entered in favor of Plaintiff

Telecommunication Systems, Inc. and against Defendant Mobile 365, Inc. in the amount of Twelve Million, Fifty Thousand, Eight Hundred Twenty Dollars (\$12,050,820 U.S.).

2. Claims 1, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 17, 18 and 19 of United States Patent No. 6,985,748 ("the '748 Patent") are infringed and not invalid.

3. Defendant Mobile 365, its officers, agents, servants, employees, affiliates, successors (including but not limited to Sybase, Inc.) and assigns, and any and all persons acting in concert or participation with them who receive actual notice of this Final Judgment, are hereby enjoined and restrained:

(a) from using, allowing others to use, selling or offering the "SMS Exchange 1.0" and "SMS Exchange 1.01" text messaging systems, including any system no more than

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that [confidentiality] designations had become ‘old news’” for all documents, or that because some documents and information were publicly known that all “such information could not remain confidential.” (Pl.’s Mot. for Prelim. Inj and Disc. 13–14.) These conclusions are *unreasonable*. It is reasonable to believe that the confidentiality designations Mobile 365 did not remove remained because those documents are still confidential, and therefore are subject to the Court’s Protective Order. Further, TCS’s contention that some information was publicly known would in fact obviate Mobile 365’s confidential designations if in fact the documents TCS submitted were the documents that were publicly known. However, TCS does not adequately support this claim but rather argues generally that trial testimony on the same subject matter makes documents publicly known and therefore waives confidentiality. (Pl.’s Mot. for Prelim. Inj and Disc. 15–16 (citing the Third Circuit case of Littlejohn v. Bic Corp., 851 F.2d 673, 680 (3d Cir. 1988), to argue the proposition that detailed public discussion at trial of a subject matter invalidates confidentiality to documents related to that subject matter, and that “very little is needed to make previously-confidential documents public; a mere reference to a document in open court is sometimes sufficient”).)

TCS’s final arguments contend that Mobile 365’s designation of documents as Trial Exhibits, though not given a docket number or submitted to the jury, waives the documents’s confidentiality, and that information about prior art cannot be confidential. Again, TCS’s contentions are erroneous. Mere submission to this Court of potential exhibits does not waive their confidential status or make them publicly available; the Court’s procedure requiring the submission of these documents is merely put in place to expedite the admission of evidence into trial, if a party so chooses to admit the exhibits.

As such, this action does not make the documents publicly available or divests the documents of their confidential designations. Additionally, while prior art is not confidential, documents *about* prior art may be confidential. As such, TCS has not shown that Mobile 365 has waived confidentiality on the challenged documents. Further, because TCS has failed to show the inapplicability of the Protective Order, TCS's defensive position that no Order of the Court governs this dispute is meritless.

### **B. Violation of the Court's Protective Order**

Mobile 365 contends that TCS violated numerous provisions of the Court's Protective Order and therefore should be held in civil contempt. Successful claims for civil contempt must show that the non-moving party had knowledge of a protective order of the Court, the order was in the movant's favor, there was a violation of the order, and the movant was harmed. Ashcraft, 218 F.3d at 391.

#### **1. Knowledge of a Valid Order of the Court**

A finding of civil contempt is appropriate if a party can point to a specific order of the Court that sets forth in detail an unequivocal command that a party has violated. In re General Motors Corp., 61 F.3d at 258. Violation of a general request from the Court is not sufficient.

In the present matter, a Protective Order is in place governing the parties's distribution of Designated Materials.<sup>4</sup> The Order was designed to help facilitate the exchange of "documents, things, information, testimony, and other evidence that the parties may consider to comprise trade secrets or confidential business information."

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<sup>4</sup> "Designated Materials" is the name the Court uses to identify confidential documents. (Ct.'s Protective Order 2.)

(Ct.'s Protective Order 1.) The parties, by counsel, stipulated to the entry of this Order on December 6, 2006. (Ct.'s Protective Order ¶ 18.) Even after the trial's conclusion, provisions of this Order remain in effect. (See, e.g. Ct.'s Protective Order ¶ 2c (prohibiting attorneys who are allowed access to confidential documents from substantive involvement in preparation or prosecution of patent applications for twelve (12) months after the case's determination).) As such, both parties had actual knowledge of the Court's Protective Order and its applicable provisions.

2. The Protective Order Was in Mobile 365's Favor

The terms of the Court's Protective Order provides expansive protection for each party in the litigation, including third parties that provide confidential documents in this matter. An accurate reading of the Protective Order favors each party in relation to the documents they designate. Therefore, for Mobile 365's Designated Materials, the Protective Order is deemed in its favor; similarly, for TCS's Designated Materials, the Protective Order is deemed in its favor. Because the documents in question were designated by Mobile 365, the Court's Protective Order is in Mobile 365's favor.

3. TCS's Conduct Violated the Court's Order

Mobile 365 contends that TCS violated five (5) key provisions of the Court's Protective Order, specifically: (1) the provision restricting the use of Designated Materials outside of the patent infringement litigation; (2) the provisions concerning documents designated "CONFIDENTIAL–NON PROSECUTING ATTORNEYS EYES ONLY; (3) the provision banning attorneys who obtained confidential information from substantive involvement in prosecution of patents in the area of inter-carrier or other text, SMS, or multi-media messaging; (4) the provision requiring TCS's outside counsel to employ

reasonable measures to safeguard Mobile 365's Designated Material, and (5) the provisions requiring TCS to make its best efforts to prevent further disclosure of confidential documents after learning of an unauthorized disclosure. The Court agrees.

First, the Protective Order required that all confidential documents produced by a party "and the information contained therein, shall be received and used only for purposes directly related to this action and not for any other purpose." (Ct.'s Protective Order ¶ 2). Here, Mr. Bollman, TCS's prosecuting attorney, received Mobile 365's confidential documents and filed those documents on behalf of TCS in TCS's four (4) pending patent applications. While the patent proceedings are similar to the entitled matter in that they involve variations of the same underlying patent, they are *not* the same action. Quite the contrary, the patent reexamination, for example, is only valid if "a substantial new question of patentability exists." MPEP § 2609. As such, Mr. Bollman's use of Mobile 365's confidential documents outside of this litigation violated the Court's Protective Order.

Second, the Protective Order states that documents labeled "CONFIDENTIAL–NON-PROSECUTING ATTORNEYS EYES ONLY" are not to "be disclosed or communicated in any manner, either directly or indirectly" to more than three employees or agents of TCS who have a need to know and who have been identified in writing to Mobile 365. (Ct's Protective Order ¶ 2c.) Mr. Bollman, TCS's prosecuting attorney and an agent of TCS, was not identified in writing as a person who was allowed to have access to Mobile 365's confidential documents and, in fact, was specifically prohibited from viewing the documents by the documents's own designations, "NON-PROSECUTING ATTORNEYS EYES ONLY."



TCS, however, minimizes this point and characterizes the incident as a mere technical violation as the company alleges Mr. Bollman “acted only as a courier” and did not look at the disputed documents. (Pl.’s Mot. for Prelim. Inj and Disc. 28.) TCS further contends that Mr. Bollman merely submitted the documents to the PTO “at the direction of TCS’s litigation counsel.” (*Id.*) Contrary to TCS’s assertion, there is no “technical violation” exception to civil contempt, and a party’s alleged good faith does not excuse a violation of the Court’s Protective Order.<sup>5</sup> Here, Mr. Bollman’s acceptance of confidential documents and subsequent filing of these documents with the PTO is prohibited communication under the Court’s Protective Order, and therefore a violation of this Court’s Order.

Third, the Protective Order prohibits:

[A]ny attorneys, patent agents, or other persons who are allowed access to documents, information, or other things designated “CONFIDENTIAL–NON-PROSECUTING ATTORNEYS EYES ONLY” from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS, or multi-media messaging for any of the parties to this action for the pendency of this case, including appeals, and twelve (12) months thereafter. (Ct.’s Protective Order ¶ 2c).

As noted above, Mr. Bollman received confidential documents conspicuously marked “NON-PROSECUTING ATTORNEYS EYES ONLY” and therefore, under the terms of the

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<sup>5</sup> Though acknowledging that intent is not relevant in civil contempt, TCS heavily cites other Circuits for the contention that a technical violation prohibits a court from holding a party in contempt, and that a person should not be held in contempt if his action appears to be based on good faith and reasonable interpretation of the Court’s Order. (Pl.’s Resp. to Def.’s Mot. for Contempt 23–27.) TCS’s specific citations are not addressed herein as the U.S. Supreme Court has clearly stated that civil contempt “is remedial, it does not matter with what intent the defendant did the prohibited act.” McComb v. Jacksonville Paper Co., 336 U.S. 187, 191 (1949).

Protective Order, he is prohibited from substantive involvement in inter-carrier and other text or multi-media messaging patent prosecutions. However, Mr. Bollman has continued prosecuting patents in this area and is actually representing TCS in the '353 proceeding, and the '262, '419, and '593 applications. In their defense, TCS again argues that Mr. Bollman's role was that of a mere courier and therefore he should not be prohibited from continuing to prosecute patents in this area. Nevertheless, the Court's Protective Order is clear in that any person who is allowed access to designated material is barred from substantive involvement in the prosecution of patent applications for any of the parties. Further, despite TCS's and Mr. Bollman's contentions, this Court is not convinced of Mr. Bollman's *de minimis* role and alleged blind filing of documents in the PTO, but rather holds that Mr. Bollman's continued participation in the prosecution of TCS's ongoing patents, after having access to Mobile 365's confidential documents, is a blatant violation of the Court's Protective Order.

Fourth, the Protective Order requires that "outside counsel of record are responsible for employing reasonable measures to control, consistent with this Order, duplication of, access to, and distribution of Designated Material." (Ct's Protective Order ¶ 17.) However, in the present case, TCS and its counsel failed to employ reasonable measures to control access to Mobile 365's confidential documents, after they were repeatedly notified of their confidential nature. Rather, as admitted in TCS's brief, TCS's litigation counsel specifically identified Mobile 365's confidential documents, photocopied them, and provided them to their prosecuting attorney for filing with the PTO. (Pl.'s Mot. for Prelim. Inj and Disc. 28.) TCS should have reasonably known that documents labeled "CONFIDENTIAL – NON-PROSECUTION ATTORNEYS EYES

ONLY” were in fact confidential and subject to the Court’s Protective Order, and that if these documents were submitted to the PTO they would be viewed publicly.<sup>6</sup> As such, TCS and its counsel failed to safeguard Mobile 365’s confidentially designated materials, a violation of Paragraph 17 of the Court’s Protective Order.

Finally, Mobile 365 argues that TCS violated the Protective Order’s provision concerning the actions required to be taken after an unauthorized disclosure. The Protective Order states:

The party responsible for the disclosure shall as soon as practicable after learning of such disclosure inform [Mobile 365] in writing of all pertinent facts relating to such disclosure, shall use its best efforts to retrieve the material or information, and shall make every effort to prevent further disclosure by the unauthorized person(s). (Ct’s Protective Order ¶ 17.)

Though the Protective Order clearly outlines specific requirements to correct an unauthorized disclosure, TCS failed to follow these provisions.

A brief recap of the case background shows that TCS did not inform Mobile 365 in writing that confidential documents were disclosed and all of the pertinent facts surrounding their disclosure, nor did TCS use its best efforts to retrieve Mobile 365’s confidential information once they were made public but rather informed the PTO that they would not petition to have the documents expunged. (Pl.’s Resp. to the PTO’s July 21, 2008 Order 1.) Mobile 365 cites this action, as well as TCS’s initial response that

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<sup>6</sup> TCS argues that there is no evidence that the documents were made available to the public. (Pl.’s Resp. to Def.’s Mot. for Contempt 27.) However, the PTO’s Manual of Patent Examination Procedure § 2609(H) clearly states that “reexamination and patent files are open to the public. The reexamination file is scanned to provide an electronic copy of the file. All public access to and copying of reexamination proceedings may be had from the electronic copy. The paper file is not available to the public.” Alternatively, TCS argues that there is no proof that anyone from the public actually viewed the documents. (Pl.’s Resp. to Def.’s Mot. for Contempt 27.)

sought to condition the withdrawal of the challenged documents to Mobile 365 agreeing to certain stipulations, as prime examples of TCS's failure to "make every effort to prevent further disclosure by unauthorized persons." (Def.'s Mot. for Contempt 1.)

In their defense, TCS notes that the company voluntarily petitioned to seal Mobile 365's confidential documents in the pending applications, two of which have been sealed, and that there is nothing further TCS can do to accelerate the sealing of the documents in the other two cases. (Pl.'s Mot. for Prelim. Inj and Disc. 20, 27.) While TCS has made this attempt to prevent further disclosure, these actions do not illustrate that TCS has made "every effort." Rather, TCS's decision not to file a petition for expungement, attempts to condition the removal of the challenged documents on Mobile 365's making specific stipulations, and failure to contact the Court for a determination of the applicability of the Court's Protective Order,<sup>7</sup> supports Mobile 365's contentions that TCS has failed to take every effort to prevent future disclosure. Therefore, the Court agrees that TCS has violated this provision of the Court's Protective Order.

#### 4. Harm Suffered by Mobile 365

Mobile 365 claims that as a result of TCS's actions the company has suffered direct and irreparable injury. Namely, Mobile 365's confidential documents were filed in the public record in at least three of TCS's *ex parte* applications, only two of which have now

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<sup>7</sup> While the Court agrees with Mobile 365's enumeration of TCS's various violations of the Protective Order, the Court is particularly distressed by TCS's failure to contact the Court for a determination of the applicability of the Protective Order, or the confidential nature of the challenged documents. While TCS agrees that they should have contacted the Court (TCS's Opp'n to Mobile 365's Submiss. on Att'ys Fees and Costs 3), no adequate justification was given, nor could there be, for this unwise and blatant violation of the Court's Order.

been sealed from public view; the company has incurred substantial costs in attempting to block its confidential documents from public view, and will continue to incur costs since TCS has not agreed to expunge the documents; and finally, the company has been irreparably injured because the patent applications Mr. Bollman has handled since filing Mobile 365's confidential information have been tainted by his unauthorized access to confidential information, especially in light of Mr. Bollman's continued involvement in the prosecution of TCS's patents. As such, Mobile 365 requests the Court prohibit Mr. Bollman and his firm from being prosecution counsel in the area of inter-carrier or other text, SMS, or multi-media messaging; award Mobile 365 costs and attorneys fees incurred in filing this Motion and defending public review of confidential documents; and issue any other Order required to maintain the status quo prior to TCS's actions. (Def.'s Resp. to Pl.'s Mot. for Prelim. Inj. and Disc., Ex. B, 3.)

TCS, however, disagrees and states that the relief sought by Mobile 365 is not necessary to restore the status quo because Mobile 365 has not actually suffered harm since the documents are sealed in two<sup>8</sup> of the four applications, and there is no proof that anyone from the public has actually viewed Mobile 365's confidential documents in the remaining applications. (Pl.'s Mot. for Prelim. Inj and Disc. 27.) TCS further contends that barring Mr. Bollman from prosecuting TCS's patents is the severest of penalties and is not warranted due to Mr. Bollman's minimal role in the alleged violations, attorneys fees would be inaccurate because Mobile 365's own actions of contacting the PTO "may

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<sup>8</sup> As of August 22, 2008, the IDS in only two of TCS's applications were sealed—the '593 application and the '353 proceeding. TCS's Petition to Seal remains pending in the '262 and '419 applications.

well have increased the work required of both sides,” and finally, in an out-of-place assertion, TCS suggests that relief in this matter should be “judged in the context of Mobile 365’s own trial conduct.”<sup>9</sup> (*Id.* at 29–30). TCS’s arguments are unavailing. Both Mobile 365’s and TCS’s litigation counsel stipulated to the Protective Order which governs in this situation. Under the Protective Order, any attorney who obtains non-prosecuting attorney information is prohibited from prosecuting patents in the area of inter-carrier or other text, SMS, or multi-media messaging for any of the parties during the pendency of the case and for twelve (12) months afterward. (Ct’s Protective Order ¶ 2c). Therefore, TCS’s present argument that the penalty is severe is unpersuasive in that it was completely within TCS’s power to refrain from violating the Court’s Protective Order, and the company knew of the consequences before they engaged in this violative course of action. Additionally, the Court finds that Mobile 365’s actions of contacting the PTO did not increase the work required by the parties but instead was necessary to defend against public review of their confidential documents. As such, costs and fees may be an accurate and adequate remedy for this violation. Therefore, because Mobile 365 has shown by clear and convincing evidence that each element of civil contempt has been met, this Court GRANTS Defendant’s Motion that Plaintiff be Held in Contempt.

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<sup>9</sup> TCS goes on to recount Mobile 365’s alleged violation of the witness exclusion rule at trial where Mobile 365 requested that fact witnesses be excluded from the courtroom during testimony, but violated the purpose of this rule when Mobile 365’s own counsel revealed prior testimony to these same witnesses. (Pl.’s Mot. for Prelim. Inj and Disc. 29–30.) The Court can only assume that by mentioning this incident TCS is attempting to argue that Mobile 365 violated an Order of the Court at trial and now TCS has violated an Order of the Court post-trial, so the parties are somehow even. However, regardless of the intended purpose of this last contention, Mobile 365 has clearly shown that TCS’s numerous violation of the Court’s Protective Order amounts to contempt and relief will be granted accordingly.

colorably different therefrom that provides phone-number-only text message routing by using a database associating subscriber phone numbers with routing carriers and a database associating carriers with routing syntax to route digital message packets;

(b) from infringement of claims 1, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 17, 18 and 19 of the '748 Patent by the use or sale or allowing others to use the "SMS Exchange 1.0" and "SMS Exchange 1.01" text messaging systems and any subsequent modifications not more than colorably different from that system and method regardless of trade number which those systems or methods are sold; and/or

(c) from infringing claims 1, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 17, 18 and 19 of the '748 Patent through the use or sale or allowing others to use, a database associating subscriber phone numbers with routing carriers and a database associating carriers with routing syntax to route digital message packets.

4. The permanent injunction set forth in the immediately preceding paragraphs 3(a)–(c) is stayed pending and for the duration of any appeal from this Final Judgment and will not become effective until further Order of this Court.

5. In accordance with the Court's Order holding TCS in civil contempt for violating this Court's Protective Order, the following relief remains in effect:

(a) Mr. William Bollman and his firm are prohibited from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS or multi-media messaging, for any of the parties to this action or any of their employees, officers, directors, shareholders, affiliates, successors, licensees, or assigns, during the pendency of this case and for twelve (12) months subsequent to the termination of this case, including any and all appeals;

### **C. Fashioning an Appropriate Remedy**

The appropriate remedy for civil contempt is within the Court's broad discretion. In re General Motors Corp., 61 F.3d 256, 259 (4th Cir. 1995). In its consideration, the Court may impose judicial sanctions to either coerce a party into compliance with the Court's Order, or to compensate the Movant for losses sustained, or both. United States v. United Mine Workers, 330 U.S. 258, 303-304 (1947). In light of the applicable provisions of the Protective Order, TCS's failure to make every effort to correct the unauthorized disclosure, and the fact that Mobile 365's confidential documents were open for public view and remain open in two pending patent applications, this Court GRANTS Mobile 365 the relief they seek. Specifically:

1. Mr. Bollman and his firm are prohibited from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS or multi-media messaging, for any of the parties to this action or any of their employees, officers, directors, shareholders, affiliates, successors, licensees, or assigns, during the pendency of this case and for twelve (12) months subsequent to the termination of this case, including any and all appeals;
2. Mobile 365 is hereby awarded costs and attorney's fees in the amount of \$322,810.98, which were incurred in filing this Motion and defending against public review of their confidential documents with the PTO; and
3. TCS is further ORDERED to contact the PTO to request expungement of Mobile 365's confidential documents upon completion of the PTO's review.

1. Prohibition on Involvement in Prosecution of Patent Applications

Per the terms of the parties's jointly stipulated Protective Order:

[A]ny attorneys, patent agents, or other persons who are allowed access to documents, information, and other things designated 'CONFIDENTIAL- NON-PROSECUTING ATTORNEYS EYES ONLY' shall be prohibited from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS multi-media messaging, for any of the parties to this action or any of their employees, officers, directors, shareholders, affiliates,



successors, licensees, or assigns, during the pendency of this case and for 12 months subsequent to the termination of this case including any and all appeals. (Ct.'s Protective Order ¶2c.)

Therefore, as a result of Mr. Bollman's violation of this provision of the Protective Order, this Court will enforce the prohibition against him and his firm and hold that they are prohibited from engaging in the noted activities. Further, this Court ORDERS TCS to promptly and without delay contact the PTO to request expungement of Mobile 365's documents.

## 2. Calculation of Attorney's Fees and Costs

Although deciding whether to award attorneys' fees is a matter within the court's discretion, in determining the amount of an award the court must consider and make detailed findings of fact with respect to twelve factors:

(1) the time and labor expended; (2) the novelty and difficulty of the questions raised; (3) the skill required to properly perform the legal services rendered; (4) the attorney's opportunity costs in pressing the instant litigation; (5) the customary fee for like work; (6) the attorney's expectations at the outset of the litigation; (7) the time limitations imposed by the client or circumstances; (8) the amount in controversy and the results obtained; (9) the experience, reputation[,] and ability of the attorney; (10) the undesirability of the case within the legal community in which the suit arose; (11) the nature and length of the professional relationship between attorney and client; and (12) attorneys' fees awards in similar cases.

Barber v. Kimbrell's, Inc., 577 F.2d 216, 226 & n.28 (4th Cir. 1978). But see Arnold v. Burger King, 719 F.2d 63, 67 n.4 (4th Cir. 1983) (stating that a court is not required to attribute at length a portion of the award to each factor); Colonial Williamsburg Found. v. Kittinger Co., 38 F.3d 133, 138 (4th Cir. 1994) (affirming a court's award of attorneys' fees, even though the court "did not specifically address all of the factors enunciated in Barber"). However, in fees related to civil contempt motions, the primary

purpose must be remedial, coercive, and for the benefit of the movant. Gompers v. Buck's Stove & Range Co., 221 U.S. 418, 441 (1911).

As a threshold matter, the Court rules that attorneys' fees and costs are warranted in this case to remedy Plaintiff's willful violation of the Court's Protective Order. Determinatively, Defendant's efforts to correct this violation resulted in communication with the PTO, discussions between the parties, and the filing of a Motion in this Court, with supporting exhibits of more than 3000 pages outlining the documents in question, their relevance (or lack thereof) in relation to the pending patent applications, and evidence of their confidential nature. The sheer bulk of documents that needed to be filed was driven by Plaintiff's continuous disregard of the Protective Order, challenges—both in this Court and before the PTO—regarding the designation of documents and applicability of the Protective Order, and actions that prevented Mobile 365's documents from being sealed and/or expunged at the completion of the PTO's review. Of particular distress to this Court was TCS's decision not to obtain the Court's determination of the applicability of the Protective Order *prior* to the submission of the documents to the PTO or *immediately* upon notice of Defendant's assertion that the documents remained confidential. This Court holds that these actions demonstrate by clear and convincing evidence that TCS willfully disobeyed numerous provisions of the Court's Order, which resulted in Mobile 365's documents being available to the public for an inextricable amount of time.<sup>10</sup> Accordingly, this Court awards Mobile 365 attorneys'

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<sup>10</sup> TCS contends that in the Fourth Circuit, Mobile 365 is not entitled to attorneys' fees in relation to the Contempt Motion because they have not established that TCS's conduct was willful, or rose to the level of obstinacy, obduracy, or recalcitrance. See Omega World Travel, Inc. v. Omega Travel and Shipping Agencies, Inc., 905 F.2d 1530, 1990

fees in the amount of \$322,810.98, as compensation for losses sustained and costs expended as they relate to the Motion filed in this Court and the work done in the PTO to protect the confidentiality of the challenged documents.

In granting the defendant attorneys' fees and costs, this Court specifically calculates the amount owed per law firm as follows:

**Work Done in the U.S. Patent and Trademark Office**

Macaulay & Burtch: \$0

Sterne, Kessler, Goldstein & Fox: \$64,437.50

Paul, Hastings, Janofsky & Walker: \$20,346.00

Finnegan, Henderson, Farabow, Garrett & Dunner: \$27,517.54

TOTAL: \$112,301.04

**Work in Litigation**

Macaulay & Burtch: \$10,267.50

Sterne, Kessler, Goldstein & Fox: \$44,373.00

Paul, Hastings, Janofsky & Walker: \$5,726.78

Finnegan, Henderson, Farabow, Garrett & Dunner: \$150,142.66

TOTAL: \$210,509.94

In doing so, the Court has considered the time and labor expended, novelty and difficulty of questions presented, skill required to perform the legal services, customary fees and actual fees charged, results obtained, and experience, reputation, and ability of the lawyers. Analogous cases could not be found, but this Court has determined, based on

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WL 74305, at \*4 (4th Cir. 1990) (unpublished) (upholding the district court's denial of attorneys' fees in conjunction with a civil contempt motion where the district court did not abuse its discretion in determining that the movant failed to show "willful disobedience" of a court order). The Court need not determine whether the Omega case stands for the proposition TCS asserts in deciding this Motion as this Court specifically finds TCS's unyielding (and illogical) position that the Protective Order was not applicable, refusal to expunge the offending documents after the PTO's review, and defiant decision not to seek this Court's determination of the dispute willful and recalcitrant.

the documentation provided by both parties, that the detailed nature of the work required to adequately defend against Plaintiff's claims warrant the fee.<sup>11</sup>

In its determination of the reasonable attorneys' fees and costs to award Defendant, the Court first notes that the fees Mobile 365 are entitled to are limited to those related to their work done in the PTO and in bringing and defending this Motion; responses to Plaintiff's accompanying Motions for Preliminary Injunction and to Reopen Discovery are not included in this calculation. Further, the Court notes that while the matter before the Court does not raise novel or difficult issues of law, or require any special legal skill to resolve, the disputed matter does require an intimate knowledge of the numerous documents at issue and their confidential designations. The Court further notes, and Plaintiff agrees, that it was reasonable for the firms who were already

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<sup>11</sup> Plaintiff cites numerous cases throughout the country which have provided civil contempt fees ranging from \$250 to \$29,619, as proof that Defendant's suggested award is excessive. (TCS's Opp'n to Mobile 365's Submiss. on Att'ys Fees and Costs 17-20.) Additionally, Plaintiff cites published information from the American Intellectual Property Lawyers Association ("AIPPLA") that states the average cost of defending an *inter partes* reexamination is \$58,000 in this Region, further illustrative, in their minds, of the fact that this award is excessive. (See TCS's Opp'n to Mobile 365's Submiss. on Att'ys Fees and Costs, Ex. L.) However, these assertions are not persuasive.

While this Court recognizes the egregious nature of the violations in some of the cited cases, the present case is dissimilar in the amount of time and detailed effort required to rectify the contemnor's violations. Here, Defendant had to argue the applicability of the Court's Order, the materiality of each of the 56 documents, and whether each document remained confidential in light of Plaintiff's numerous specific contentions. Defendant countered each claim and ultimately submitted over 3,000 documents, which this Court reviewed, refuting Plaintiff's allegations that the documents' confidentiality was waived, including refuting contentions that the mere subject matter of disputed matters was revealed at trial. In accord, while the average cost in this Region for an *inter partes* reexamination is \$58,000, the amount of work required for Mobile 365 to defend against public review of their confidential documents is not a standard part of any reexamination, and the costs in the PTO are related to Mobile 365's work in sealing the IDS in all four pending applications, not just the reexamination.

representing Mobile 365 in the *inter partes* reexamination and in this litigation to provide the necessary legal services for the defendant in this matter, and that the attorneys who were retained are “generally known to be experienced, reputable, and able counsel.” (TCS’s Opp’n to Mobile 365’s Submiss. on Att’ys Fees and Costs 25–26.) Therefore, the amount the Court will award Plaintiff as a remedy for Defendant’s violations ultimately turns on the time and labor Mobile 365 expended, and the reasonableness of the fees charged. In this regard the Court is satisfied that Mobile 365 has provided adequate documentation of the customary hourly rates and the actual billing rates for the four firms, some of whom are non-local counsel, and the individual associates and partners handling this matter. These rates ranged from \$145–\$160/hr for a paralegal, \$245–\$800/hr for DC attorneys, \$295–\$570/hr for Silicon Valley attorneys, and \$250–\$350/hr for Richmond, VA attorneys. These rates are well within the average hourly rates for similar attorneys in their Region.<sup>12</sup> Accordingly, this Court holds that costs and fees in the amount of \$322,810.98 are reasonable to compensate Mobile 365

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<sup>12</sup> According to the National Law Journal’s 2007 study, as submitted by Defendant, the following are typical billing rates for attorneys in Washington, DC, Richmond, VA, and the Silicon Valley:

Hourly Rates from the National Law Journal Study

Washington, DC partners’s rates:	\$300/hr to \$1,000/hr
Washington, DC associates’s rates:	\$150/hr to \$525/hr
Silicon Valley partners’s rates:	\$475/hr to \$875/hr
Silicon Valley associates’s rates:	\$245/hr to \$555/hr
Richmond, VA partners’s rates:	\$300/hr to \$600/hr
Richmond, VA associates’s rates:	\$205/hr to \$425/hr

The Court finds that these rates are reasonable.

for the amount spent in defending the confidentiality of their documents.<sup>13</sup> As requested by the Plaintiff, the Court recognizes that TCS's conduct in this case up until now has "been reasonable and respectful of every Order of this Court," but this Court maintains that the company's conduct as it relates to their numerous willful violations of this Court's Protective Order necessitates the requested relief.

### **III. Preliminary Injunction**

A preliminary injunction is "an extraordinary remedy," one "to be granted only sparingly." Sun Microsystems, Inc. v. Microsoft Corp. (In re Microsoft Corp. Antitrust Litig.), 333 F.3d 517, 524 (4th Cir. 2003). The traditional purpose of a preliminary injunction is to protect the status quo and ultimately preserve the court's ability to render a meaningful judgment on the merits. Id. at 525.

In the present case, TCS seeks an injunction prohibiting Mobile 365 and their agents from communicating with the PTO in TCS's pending '593, '262, and '419 patent applications. Because the issuance of an injunction here involves a violation of a right secured by a patent, a preliminary injunction, although procedural, involves substantive

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<sup>13</sup> TCS presents several alternative theories as to why this amount is excessive. Plaintiff first suggests this amount should be reduced by 50%, pursuant to the Rule derived in Rum Creek Coal Sales, Inc. v. Caperton, 31 F.3d 169, 174 (4th Cir. 1974), because their conduct was not willful and the rates are not reasonable. (TCS's Opp'n to Mobile 365's Submiss. on Att'ys Fees and Costs 13-14.) Second, TCS attempts to challenge whether attorneys that have not made formal appearances in the PTO or before this Court should be able to recover fees. (TCS's Opp'n to Mobile 365's Submiss. on Att'ys Fees and Costs 15-16 (citing McDonald v. Cooper Tire & Rubber Co., 2005 WL 3372855, at \*1-2 (M.D. Fla. Dec. 12, 2005).) However, TCS's assertions are misplaced. This Court specifically finds TCS's conduct willful and further notes that whether an attorney has filed an appearance in this matter is not determinative as this Court's ruling is based on compensation for work done to defend the confidentiality of the documents, whether or not that work was done by the attorney of record.

components unique to patent law and, therefore, is governed by the law of the Federal Circuit. Hybritech, Inc. v. Abbott Labs., 849 F.2d 1446, 1451 (Fed. Cir. 1988).

Accordingly, to obtain a preliminary injunction, TCS must prove: (1) a reasonable likelihood of success on the merits; (2) that TCS will suffer irreparable harm if the injunction is not granted; (3) that the balance of hardships tip in TCS's favor; and (4) that the impact of the injunction supports the public's interest. Hybritech, Inc. v. Abbott Labs., 849 F.2d 1446, 1451 (Fed. Cir. 1988). The burden upon the Movant is no different in a patent case than in any other kind of intellectual property matter, where generally only a "clear showing" is required. Atlas Powder Co. v. Ireco Chems., 773 F.2d 1230, 1233 (Fed. Cir. 1985). As such, the Court must weigh each factor against the other and against the form and magnitude of relief requested. Abbott Labs., 849 F.2d at 1451. In this aspect, the Federal Circuit's test is similar to the Fourth Circuit's Balance of Hardship test.

Here, TCS believes that all four elements have been met and that the Court's assistance is needed to curtail Mobile 365's continued "unlawful interference with the patenting process," and to prevent unnecessary delays, which may ultimately undermine the jury's verdict or prevent the issuance of TCS's patent. (Pl.'s Mot. for Prelim. Inj. and Disc. 15, 17.) Mobile 365, however, objects and argues that the four factors that underlie a request for a preliminary injunction demonstrate that TCS is not entitled to the relief it seeks. The Court agrees.

#### **A. TCS is Not Likely to Succeed on the Merits**

The crux of Plaintiff's argument is that Mobile 365 has repeatedly violated patent regulations in an effort to delay the issuance of TCS's patents and make a collateral attack

on the jury's verdict. In support of their position, TCS begins by pointing to two filings made by Mobile 365 that TCS claims were both unauthorized and aimed at misrepresenting facts to the PTO, once again in an effort to delay or derail TCS's patent applications. This Court need not determine whether these are valid, specific claims upon which to base a preliminary injunction in order to decide the present matter; rather, based upon the stated claims, TCS has failed to demonstrate that they are likely to succeed on the merits.

1. Mobile 365's Filing with the PTO

TCS argues that on August 5th and 18th, 2008, Mr. Sterne, Mobile 365's attorney, submitted two "unethical" responses to the PTO, purportedly to provide the PTO with additional information about the sealing of Mobile 365's confidential documents in the *ex parte* '593 application. (Pl.'s Mot. for Prelim. Inj and Disc. 5.) TCS argues that because Mobile 365 only filed responses in the '593 application, which is to be issued "shortly," and not in the other applications, which are also available to the public, their intentions were contemptuous. (*Id.* at 5–6.) Further, TCS contends that Mobile 365's filings were unsolicited protests and therefore against patent prosecution rules. (*Id.* at 6; see also 37 C.F.R. § 1.2 (stating that "[a]ll business with the Patent and Trademark Office should be transacted in writing . . . and no attention will be paid to any alleged oral promise, stipulation, or understanding in relation to which there is a disagreement"), MPEP § 1134 (establishing procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant).)



Mobile 365 defends against this charge by stating that their August responses were not “protests” related to TCS’s underlying patent applications, but merely procedural responses designed to protect their confidential documents. Mobile 365 continues in arguing that their filings were authorized by the PTO itself, both orally and in writing. Further, that the company became aware of the PTO’s July 21, 2008 Order—which provisionally sealed Mobile 365’s confidential documents in the ‘593 application and gave all interested parties 30-days to inform the PTO of the scope and validity of the Court’s Protective Order—and promptly contacted the PTO for the procedure to file. (Def.’s Resp. to Pl.’s Mot. for Prelim. Inj. and Disc. 3–4.) Mr. Sterne spoke to Mr. Marcus of the PTO, who outlined the required procedure for a third party to file a response. Mobile 365 filed their responses, and as a result of both Mr. Marcus’s permission and the plain language of the July 21, 2008 PTO Order that allowed all “interested parties”<sup>14</sup> to respond, Mobile 365 contends their responses were authorized.

The Court finds persuasive Mobile 365’s contentions that their Responses were not motivated by some contemptuous strategy to delay the issuance of the impending patent but a justified response to their confidential information being made public. Moreover, the substance of Defendant’s Responses plainly dispute TCS’s claim that their communications were “protests” related to the underlying application, but rather clearly show that they were merely an effort to protect the confidentiality of their documents. Finally, this Court concurs with the defendant in noting that the PTO’s July 21, 2008

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<sup>14</sup> The defendant further supports this position by stating that the PTO’s Order concerned the provisional sealing of their confidential documents and therefore they were an “interested party” in the context of this Order. (Def.’s Resp. to Pl.’s Mot. for Prelim. Inj. and Disc. 3–4.)

(b) Mobile 365 is awarded costs and attorneys' fees in the amount of \$322,810.98, which were incurred in defending against public review of their confidential documents; and

(c) TCS is ordered to contact the PTO to request expungement of Mobile 365's confidential documents upon completion of the PTO's review.

6. The remedies set forth in the immediately preceding paragraphs 5(a)–(c) are not stayed pending the duration of any appeal and remain in effect until their stated termination.

7. Enforcement or execution of those paragraphs in the Final Judgment not specifically excluded is stayed pending and for the duration of any appeal from this Final Judgment and no enforcement or execution of the Final Judgment can occur until further Order of this Court. A separate, fully-funded escrow account in the amount of Fifteen Million Dollars (\$15,000,000 U.S.), the principal of which cannot be disbursed (i) to any entity other than TCS, (ii) without further order of the Court and (iii) in an amount consistent with final disposition by the Court after appeal, with the balance being disbursed to Sybase, Inc., may be used in lieu of a bond to secure the Final Judgment.

8. Taxation of costs (including filing a bill of costs and opposing a bill of costs) is stayed pending and for the duration of any appeal and the time for filing a bill of costs that is set forth in Local Rule 54(D) is extended until the conclusion of any appeal from this Final Judgment and payment of any award of attorneys' fees is likewise stayed pending and for the duration of any appeal.

9. Any post-verdict, including post-judgment, accounting for damages for any continued infringement by defendant after the jury's verdict is stayed pending and for

Order allowed Mobile 365 to address the narrow issue of the disputed documents and the validity of this Court's Protective Order as it relates to the '593 application, which Mobile 365 directly addressed. As such, TCS has failed to show that Mobile 365 has unlawfully communicated with the PTO in relation to TCS's pending patent applications, and has further failed to show that Mobile 365 will likely violate patent regulations in continuing to communicate with the PTO, as required for a showing of likelihood of success on the merits.

## 2. Mobile 365's Alleged Misrepresentations

While concerned about Mobile 365's alleged unauthorized communication with the PTO, of more concern to TCS are Mobile 365's Responses themselves, the misrepresentations therein, and what TCS perceives to be Mobile 365's attempt to deceive the PTO. TCS recounts that both of Mobile 365's August filings included inaccurate cover letters which represented that Mr. Robert Sterne, Mobile 365's attorney, was the "Attorney for Applicant." (Pl.'s Reply to Mot. for Prelim. Inj. and Disc. 2.) The applicant in this case was TCS, the owner of the patent, and/or Chris Knotts, the inventor. Though the title "Attorney for Applicant" was plainly written on the cover letters, all internal references correctly stated "Mr. Sterne, Attorney for Sybase." (Def.'s Resp. to Pl.'s Mot. for Prelim. Inj. and Disc. 7-8.) Additionally, the Responses themselves unambiguously stated they were from Sybase (Mobile 365); the first section of which outlines why Sybase is an interested party, followed by a background section that repeatedly derides TCS for "improper actions"—wording that is contradictory to TCS's contentions that Mobile 365 was trying to deceive the PTO into believing that they were TCS. Therefore, TCS has again failed to show that Mobile 365 has engaged in or will

engage in “collateral attacks” against TCS’s rightful attempt to obtain a patent, as required for a showing of likelihood of success on the merits.

**B. TCS Has Not Shown They Will Face Immediate  
Irreparable Harm if the Injunction is Denied**

For a preliminary injunction to be granted, the Movant must make a clear showing of immediate, irreparable harm. In re Microsoft Corp. Antitrust Litig., 333 F. 3d at 530. The required irreparable harm must be neither remote nor speculative, but actual and imminent. Id. In the present matter, TCS argues that if the preliminary injunction is denied they will face irreparable harm in that the issuance of the patent in the ‘593 application will be delayed because Mobile 365 will likely fabricate further attacks on both the ‘593 application and the ‘748 Patent. (Pl.’s Mot. for Prelim. Inj and Disc. 16.) Further, TCS argues that there is no other adequate remedy at law because a time delay cannot be made up, nor can it be adequately compensated with money—especially if the delay ends up nullifying this Court’s jury verdict or preventing an issuance of a patent. (Id. at 17.)

Though arguing an alleged harm, TCS’s claims do not amount to irreparable harm. Specifically, TCS argues that they “expect [Mobile 365] to fabricate still further attacks on both” applications, a harm that is not definite but speculative. TCS does not articulate what these attacks could be or any factual basis for the Court to find that such attacks are forthcoming. Further, TCS repeatedly argues that they will suffer a delay but has not provided any evidence that a delay actually resulted from Mobile 365’s previous communication with the PTO, and therefore that a delay will likely occur from any subsequent communication. Neither has TCS shown that if there was such a delay, that it

would irreparably harm TCS. Rather, TCS merely states that Mobile 365 requested a delay of almost six months to allow their confidential documents to be sealed—the amount of time Mobile 365 estimated it would take for briefings and a decision from this Court on the Motion to Compel. (*Id.* at 16.) However, all previous orders from the PTO merely stated that the documents would be provisionally sealed until the completion of the proceedings—no evidence was presented that the PTO would actually wait six months to conclude the proceedings, or that the proceedings were originally scheduled to conclude within six months and now the decision has been postponed. TCS’s failure to produce any evidence showing that they would actually suffer irreparable harm would require this Court to speculate in order to grant relief. Because speculation is not sufficient to find irreparable harm, TCS has failed to prove this element.

### **C. The Balance of Hardships Does Not Tip in TCS’s Favor**

TCS fails to address the balance of hardships in their brief, an omission that is detrimental. However, the balance of hardships clearly does not weigh in TCS’s favor in that TCS’s request would place a complete prohibition on Mobile 365’s ability to communicate with the PTO in order to protect its confidential documents that TCS made available for public view. Further, this prohibition would forestall the limited opportunity the PTO has given Mobile 365 to comment on TCS’s Motion to Provisionally Seal Documents in the ‘593 application. (*See* Order Provisionally Sealing Papers, No. 11/516,593 at 2 (PTO July 21, 2008) (inviting interested parties to inform the PTO of the applicability and validity of the Court’s December 6, 2006 Protective Order).) While Mobile 365 has responded, the PTO has not decided whether to seal the IDS’s in all pending applications. Therefore, if the PTO seeks further clarification from Mobile 365,

an injunction in this matter would prohibit Mobile 365 from responding. In contrast, the hardship on TCS if the injunction is granted would be minor, and any efforts Mobile 365 could possibly make to delay the issuance of TCS's patent would have to go through the PTO, which has its own set of rules regarding when a third party can respond and the consequences of an unauthorized response. As such, the balance of hardships does not tip in TCS's favor.

#### **D. The Public Interest Favors Mobile 365**

TCS argues that the public interest is not served by delays in the issuance of patents, and that there is no public interest in encouraging attorneys to misrepresent themselves. While it is true that the public is not served by delays in patents, mitigating circumstances exist when those patents are prosecuted and open to the public with confidential information. Here, TCS's '593 application contains Mobile 365's confidential information that TCS filed, in violation of the Court's Protective Order. In this matter, the public interest favors protecting confidential information that was released to the public by the patent applicant, over the competing public interest in quickly issuing patents.

#### **IV. Reopen Discovery**

The district court has wide latitude in controlling discovery. Mallas v. United States, 1995 U.S. App. LEXIS 10766, \*5 (4th Cir. May 15, 1995). In appropriate circumstances, a court has authority to reopen discovery where additional facts bearing on a decision before the Court are needed. See, e.g., Better Gov't Bureau v. McGraw (In re Allen), 106 F.3d 582, 590 (4th Cir. 1997) (reopening discovery where the existence of a highly relevant memorandum that the defendants failed to identify or produce during

discovery came to light), White v. Suffolk, 460 F. Supp. 516, 522 (E.D. Va. 1978) (reopening discovery where additional information was needed to prepare arguments on the validity of a promotional test in an employment discrimination case).

In the present case, TCS requests the Court reopen discovery to permit investigation of how “Mr. Sterne was ordered, pressured, or cajoled into misrepresenting himself as ‘Attorney for Applicant’” before the PTO. (Pl.’s Mot. for Prelim. Inj and Disc. 18.) Specifically, TCS would like to investigate the extent of any *ex parte* telephone conversations between Mr. Sterne, or any other attorneys or agents of Mobile 365, and PTO officials in connection with TCS’s pending *ex parte* patent applications, including the ‘593, ‘419, and ‘262 applications. Mobile 365 objects to TCS’s Motion and contends that all relevant facts surrounding Mr. Sterne’s discussions with the PTO have been disclosed. The Court agrees.

TCS’s Motion to Reopen Discovery is the last of a long line of post-trial motions that have served to exacerbate a contentious relationship between TCS and Mobile 365. While Mobile 365 has had communication with the PTO in at least one of the pending patent applications (see supra Part III.A), TCS’s fears do not warrant additional discovery.

The heart of TCS’s Motion is Mr. Sterne’s mistake in the signature block of two cover letters sent to the PTO, where he identifies himself as “Attorney for Applicant.” The applicant in this case would be TCS, the owner of the patent, and/or Chris Knotts, the inventor. Mr. Sterne has stated, and the Court believes, that this mistake was a mere word-processing error and was not part of a larger attempt to deceive the PTO or harm TCS. (Def.’s Resp. to Pl.’s Mot. for Prelim. Inj. and Disc. 7–8.) Supportive of Mobile

365's position are the Motions attached to the cover letters, which clearly state that Mr. Sterne is the "Attorney for Sybase [Mobile 365]" and requests actions that would be contrary to the interests of TCS, the applicant. Despite Mr. Sterne's assurances, TCS insists, without any persuasive factual basis, that Mr. Sterne was "ordered, pressured, or cajoled" to misrepresent himself. The only support TCS provides is a theory that all of Mobile 365's post-trial actions, from the filing of an *inter partes* reexamination proceeding to their recent Contempt Motion, is "part of [Mobile 365's] pattern of collateral attacks on the jury's verdict."<sup>15</sup> (Pl.'s Mot. for Prelim. Inj. and Disc. 8-14.) This *theory* is not sufficient to reopen discovery. Further, there is no pending question before the Court that warrants additional discovery; all relevant facts for the pending Motions are known. As such, TCS's Motion to Reopen Discovery is DENIED.

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<sup>15</sup> The only other information TCS presents is in relation to an incident that took place in January 2007, where an unidentified woman contacted a PTO examiner asking about the PTO's treatment of the "Bennett Reference" in the prosecution of TCS's '260 application. (Pl.'s Mot. for Prelim. Inj. and Disc. 14.) The PTO examiner believed the call was from a TCS employee; however, TCS states no one from their office made the call. Similarly, Mr. Sterne and Mobile 365 deny that this woman is associated with their offices. (Def.'s Resp. to Pl.'s Mot. for Prelim. Inj. and Disc. 21.) Nevertheless, TCS assumes the call was placed by one of the Defendant's employs, and now seeks to incorporate this incident into the factual scenario supporting their Motion to Reopen Discovery by noting that in "light of Mr. Sterne's misrepresentation . . . an earlier, hitherto-unexplained incident in the PTO now takes on a new significance." The Court declines to give this theory any credence and therefore disregards this argument in its entirety.



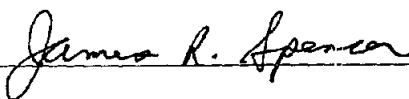
#### IV. Conclusion

For the reasons stated above, this Court GRANTS Mobile 365's Motion for Plaintiff to be Held in Contempt and hereby ORDERS that:

1. Mr. Bollman and his firm are prohibited from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS or multi-media messaging, for any of the parties to this action or any of their employees, officers, directors, shareholders, affiliates, successors, licensees, or assigns, during the pendency of this case and for twelve (12) months subsequent to the termination of this case, including any and all appeals;
2. Mobile 365 is hereby awarded costs and attorney's fees in the amount of \$322,810.98, which were incurred in filing this Motion and defending against public review of their confidential documents with the PTO;
3. TCS is further ORDERED to contact the PTO to request expungement of Mobile 365's confidential documents upon completion of the PTO's review.

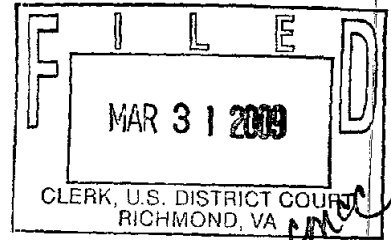
Further, this Court DENIES TCS's Motions for a Preliminary Injunction and to Reopen Discovery.

It is SO ORDERED.

  
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CHIEF UNITED STATES DISTRICT JUDGE

ENTERED this 31<sup>st</sup> day of March 2009

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION



TELECOMMUNICATION SYSTEMS, INC.,

Plaintiff,

v.

Civil Action Number 3:06CV485

MOBILE 365, INC.,

Defendant.

**ORDER**

THIS MATTER is before the Court on Mobile 365's Request for Leave of Court to Respond to TCS's Opposition to Attorneys' Fees (Doc. No.257), and Plaintiff's unspecified request for leave to reply. Upon due consideration and for cause shown, the parties' requests are GRANTED.

Let the Clerk send a copy of this Order to all counsel of record.

It is SO ORDERED.

  
CHIEF UNITED STATES DISTRICT JUDGE

ENTERED this 31<sup>st</sup> day of March 2009

the duration of any appeal.

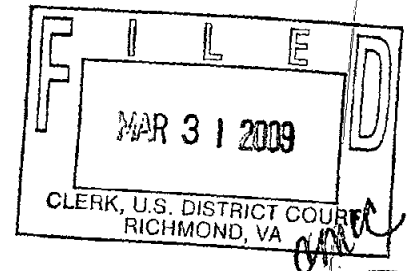
Let the Clerk send a copy of this Order to all counsel of record.

It is SO ORDERED.

  
\_\_\_\_\_  
CHIEF UNITED STATES DISTRICT JUDGE

ENTERED this 31<sup>st</sup> day of March 2009

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION



TELECOMMUNICATION SYSTEMS, INC.,

Plaintiff,

v.

MOBILE 365, INC.,

Defendant.

Civil Action Number 3:06CV485

**ORDER**

THIS MATTER is before the Court on Defendant Mobile 365, Inc.'s Motion for Plaintiff to Be Held in Contempt for Violating the Court's Protective Order (Doc. No. 236), and Plaintiff Telecommunication Systems, Inc.'s Motion to Reopen Discovery and for an Injunction to Prohibit Further Interference with Pending Patent Applications (Doc. No. 241). For the reasons enumerated in the accompanying Memorandum Opinion, this Court GRANTS Mobile 365's Motion for Contempt, and DENIES TCS's Motion to Reopen Discovery and Enjoin the Defendant. Further, this Court GRANTS Defendant the relief they seek and hereby ORDERS that:

1. Mr. Bollman and his firm are prohibited from substantive involvement in the preparation or prosecution of patent applications in the area of inter-carrier or other text, SMS or multi-media messaging, for any of the parties to this action or any of their employees, officers, directors, shareholders, affiliates, successors, licensees, or assigns, during the pendency of this case and for twelve (12) months subsequent to the termination of this case, including any and all appeals;
2. Mobile 365 is hereby awarded costs and attorneys' fees in the amount of \$322,810.98, which were incurred in filing this Motion and defending against public review of their confidential documents with the PTO;
3. TCS is further ORDERED to contact the PTO to request expungement of Mobile 365's confidential documents upon completion of the PTO's review.

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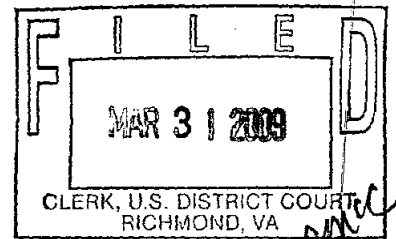
Let the Clerk send a copy of this Order to all counsel of record.

It is SO ORDERED.

  
\_\_\_\_\_  
CHIEF UNITED STATES DISTRICT JUDGE

ENTERED this 31<sup>st</sup> day of March 2009

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION



TELECOMMUNICATION SYSTEMS, INC.,

Plaintiff,

v.

Civil Action Number 3:06CV485

MOBILE 365, INC.,

Defendant.

**MEMORANDUM OPINION**

THIS MATTER is before the Court on Defendant Mobile 365, Inc.'s Motion for Plaintiff to Be Held in Contempt for Violating the Court's Protective Order (Doc. No. 236), and Plaintiff Telecommunication Systems, Inc.'s Motion to Reopen Discovery and for an Injunction to Prohibit Further Interference with Pending Patent Applications (Doc. No. 241). For the reasons below, this Court GRANTS Mobile 365's Motion for Contempt, and DENIES TCS's Motion to Reopen Discovery and Enjoin the Defendant.

**I. Background**

On July 12, 2006, Plaintiff Telecommunications Systems, Inc. ("TCS") brought suit against Defendant Mobile 365, Inc. ("Mobile 365") alleging infringement of U.S. Patent No. 6,985,748 B2 ("the '748 Patent"). To facilitate the exchange of confidential documents, this Court entered a Protective Order requiring designated discovery materials to "be received and used only for purposes directly related to this action and not for any other purpose." (Ct.'s Protective Order ¶ 2.) Both Mobile 365's and TCS's litigation counsel stipulated to the entry of the Protective Order on December 6, 2006.

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On May 25, 2007, after a nine day trial, the jury returned its verdict expressly finding that Mobile 365 willfully infringed fourteen (14) asserted claims of the '748 Patent. Shortly after the trial concluded, both the Defendant and Plaintiff filed post-trial motions, which included TCS's Motion for Attorney's Fees, and Mobile 365's Renewed Motion for Judgment as a Matter of Law and Second Affirmative Defense of Inequitable Conduct. Final judgment was delayed by these Motions. After due consideration, this Court denied all pending motions on September 25, 2008.

While the parties's post-trial Motions were pending, Sybase, Mobile 365's parent company, initiated an *inter partes* reexamination of the '748 Patent in the Patent and Trademark Office ("PTO").<sup>1</sup> (Pl.'s Resp. to Def.'s Mot. for Contempt 1.) This reexamination was filed on February 29, 2008 and was assigned Control No. 95/000,353 ("the '353 proceeding").<sup>2</sup> In addition to the '353 proceeding, three other *ex parte* proceedings involving the '748 Patent and related applications are pending in the

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<sup>1</sup> The *inter partes* reexamination statute allows any third party requester to request reexamination of a patent which issued from an original application and was filed on or after November 29, 1999. MPEP § 2609. In order to qualify for reexamination, the PTO initially determines if a substantial new question of patentability exists. *Id.* If such a new question has been presented, reexamination will be ordered. *Id.* Mobile 365's requested reexamination was based on 159 substantial new questions of patentability, which the PTO regrouped into 22 separate issues. (Pl.'s Resp. to Def.'s Mot. for Contempt 3.)

<sup>2</sup> TCS attempted to halt the '353 proceedings by arguing that the *inter partes* request relied primarily on prior art that was available to Mobile 365 at trial and, as such, Defendant's request for reexamination was a "collateral attack" on the jury's verdict. (Pl.'s Mot. for Prelim. Inj. and Disc. 8.) TCS's attempt was unsuccessful. Without ruling on the merits, the PTO decided not to terminate the proceeding stating that TCS had not rebutted Mobile 365's assertions that new issues were raised, and that at least nineteen (19) new prior art references were identified in the request. (Def.'s Resp. to Pl.'s Mot. for Prelim. Inj. and Disc. 12-13.) On May 20, 2008, reexamination was ordered for claims 1-19 of the '748 Patent. (*Id.* at 13.)